

Message Text

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12

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 TRSE-00 IO-14 FEA-02 AEC-11

AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 4456

INFO AMCONSUL HONG KONG

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PASS TO TREASURY; HONG KONG FOR TREASURY REPRESENTATIVE

E.O. 11652: N/A

TAGS: EFIN, KS, IMF

SUBJ: ROKG WILL CONTINUE SEEK LARGER IMF OIL CREDIT FACILITY

REF: SEOUL 3006

SUMMARY: ROKG PLANS ANOTHER ATTEMPT TO SECURE LARGER IMF OIL CREDIT FACILITY AT SEPTEMBER REVIEW OF FACILITY OPERATION AND WILL AGAIN REQUEST U.S. SUPPORT. END SUMMARY

1. FINANCE MINISTER NAM, DUCK WOO HAS INDICATED THAT KOREA WILL SEEK ENLARGED ACCESS TO THE IMF OIL CREDIT FACILITY, BEYOND THE CONSTRAINT OF 75 PERCENT OF ITS OUT-OF-DATE QUOTA WHICH NOW LIMITS KOREA TO SDR 60 MILLION, AT THE REVIEW MEETING PLANNED FOR SEPTEMBER. EXACT NATURE OF KOREAN REQUEST, I.E. WHETHER EXCEPTION OF TYPE PREVIOUSLY REJECTED OR SOME MODIFICATION OF PRESENT FORMULA, IS YET TO BE DETERMINED BUT IT WILL UNDOUBTEDLY COMBINE (A) EQUITY ARGUMENTS PREVIOUSLY ADVANCED AND (B) LATEST FACTS RE KOREAN

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BALANCE OF PAYMENTS. NAM ACKNOWLEDGED THAT TOTAL SIZE OF OIL FUND

IN SEPTEMBER AND DRAWINGS UP TO THAT TIME BY ADVANCED COUNTRIES WILL BE IMPORTANT FACTORS DETERMINING KOREAN APPROACH AND CHANCES OF SUCCESS.

2. AT APPROPRIATE TIME ROKG PLANS TO SEEK SUPPORT OF U.S., JAPAN, U.K. AND WEST GERMANY THROUGH EMBASSIES HERE. (LATTER TWO NOT APPROACHED LAST TIME.) MINISTER NAM NOTED HE HAD RECEIVED A LETTER OF MAY 30 FROM TREASURY ASSISTANT SECRETARY HENNESSY WHICH WAS ENCOURAGING RE A POSSIBLE EXCEPTION FOR KOREA IN THE FUTURE. AS A RESULT OF RECENT REGIONAL CONSULTATIONS IN RANGOON, THE KOREANS ARE HOPEFUL THAT INDONESIAN REGIONAL DIRECTOR KHARMAWAN CAN LINE UP IMF STAFF SUPPORT AND WIN OVER THE TWO AFRICAN DIRECTORS WHO OPPOSED AN EXCEPTION FOR KOREA AT THE LAST BOARD DISCUSSION.

3. COMMENT: THE ROKG HAS NOT FORMALLY REVISED ITS BOP FORECAST FOR 1974 ALTHOUGH SOME GOVERNMENT ECONOMISTS NOW BELIEVE THE DEFICIT AND NEED FOR BORROWING WILL BE ABOUT \$300 MILLION HIGHER. FIRST HALF BOP RESULTS ARE TYPICALLY WORSE THAN SECOND HALF AND WILL LOOK PARTICULARLY BAD THIS YEAR. NET FOREIGN ASSETS WERE DOWN NEARLY \$300 MILLION (FROM \$945 MILLION) IN THE FIRST FIVE MONTHS ALTHOUGH BANK (MAINLY SHORT-TERM) BORROWING HELD THE DECLINE IN GROSS RESERVES TO ONLY \$46 MILLION. MINISTRY OF FINANCE OFFICIALS ARE CONSIDERING DRAWING MAXIMUM AMOUNTS (TOTALING \$73 MILLION) UNDER KOREA'S IMF GOLD TRANCHE STANDBY AGREEMENT AND OIL CREDIT FACILITY (35 PERCENT OF LATTER) BY SEPTEMBER TO BOLSTER BOTH RESERVES AND CASE FOR INCREASED OIL CREDIT DRAWINGS (UP TO, SAY, 250 PERCENT OF QUOTA, OR SDR 200 MILLION.

HABIB

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